

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2427 - SB 2720

February 20, 2018

SUMMARY OF BILL: Clarifies what services are included in the definition of “medical, dental, and allied health services,” for the purposes of the business tax exemption. Adds the following to such definition: mental and behavioral health services by persons engaged in the business of providing foster care, residential treatment, therapeutic and rehabilitative care, and other social assistance programs.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$283,300/FY19-20 and Subsequent Years

Decrease Local Revenue – \$360,800/FY19-20 and Subsequent Years

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-708(3)(C)(i), medical, dental, and allied health services are exempt from the business tax.
- Expanding what services are included within the definition of medical, dental, and allied health services will exempt such additional services from the business tax.
- According to the Department of Revenue (DOR), the total business tax collected from taxpayers determined to be providing such services totaled \$644,056 in 2016. This number is assumed to remain constant into perpetuity under current law.
- Based on FY16-17 collections, 43.98 percent of business tax collections are allocated to the General Fund and 56.02 percent is allocated to local governments.
- This legislation will apply to tax periods that begin on or after July 1, 2018.
- The earliest business tax returns would be due is October 15, 2019; therefore, FY19-20 is the first year impacted by this legislation.
- A recurring decrease in state revenue of \$283,256 ($\$644,056 \times 43.98\%$) in FY19-20 and subsequent years.
- A recurring decrease in local revenue of \$360,800 ($\$644,056 \times 56.02\%$) in FY19-20 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb